

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 SSO-00 NSCE-00 USIE-00  
INRE-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03  
INR-07 NSAE-00 TRSE-00 XMB-02 OPIC-03 SP-02  
LAB-04 EPG-02 SIL-01 OMB-01 DODE-00 PM-04 H-01  
L-03 NSC-05 PA-01 PRS-01 SS-15 /080 W  
-----151551Z 078734 /43

O R 151528Z JUN 77  
FM AMEMBASSY BONN  
TO SECSTATE WASHDC IMMEDIATE 9075  
INFO AMEMBASSY BERLIN  
AMEMBASSY LONDON  
AMEMBASSY MOSCOW  
AMEMBASSY ROME  
AMEMBASSY PARIS  
USMISSION USBERLIN  
USMISSION NATO  
AMCONSUL BREMEN  
AMCONSUL DUSSELDORF  
AMCONSUL FRANKFURT  
AMCONSUL HAMBURG  
AMCONSUL MUNICH  
AMCONSUL STUTTGART

C O N F I D E N T I A L SECTION 01 OF 02 BONN 10036

E.O. 11652: GDS  
TAGS: PINT, PINR, GW  
SUBJECT: GOVERNMENT EXPECTS TO SQUEAK BY WITH TAX  
BILL, BUT TROUBLES FAR FROM OVER

REF: BONN 09830

BEGIN SUMMARY: SPD FRAKTION CHAIRMAN WEHNER APPEARS TO  
HAVE WHIPPED ENOUGH OF THE DISSENTERS BACK INTO LINE SO  
THAT THE COALITION TAX BILL WILL PASS BY A SMALL  
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MARGIN ON JUNE 16. HOWEVER, EVEN IF THE GOVERNMENT IS  
SUCCESSFUL THIS TIME, IT MAY BE THAT WEHNER AND THE  
CHANCELLOR WON A PYRRHIC VICTORY. DISSATISFACTION  
AMONG THE SPD FRAKTION MEMBERS IS RIFE, BOTH WITH THE  
SPD LEADERSHIP AND WITH THE FDP AS A COALITION PARTNER.  
THE NEXT TIME A CONTENTIOUS ISSUE ARISES IT WILL BE  
CONSIDERABLY MORE DIFFICULT FOR WEHNER TO QUELL A

REVOLT WITHIN THE RANKS.

THE TAX BILL CRISIS IS FURTHER EVIDENCE THAT THE GOVERNMENT COALITION CONTINUES TO BE ACCIDENT-PRONE AND EVEN AN UNAGGRESSIVE OPPOSITION CAN NOT SAVE THE COALITION FROM ITSELF -- ONE MORE VICTORY LIKE THIS ONE AND THE GOVERNMENT COULD FALL. RIGHT NOW THE BEST THING THE GOVERNMENT HAS GOING FOR IT IS THAT THE SUMMER RECESS IS ONLY TEN DAYS AWAY. END SUMMARY.

1. AT THE OUTSET IT SHOULD BE NOTED THAT THE JUNE 16 VOTE IS NOT A FORMAL VOTE OF CONFIDENCE AND EVEN IF THE TAX BILL WERE TO BE DEFEATED, THE GOVERNMENT WOULD NOT FALL. FOR THE GOVERNMENT TO FALL THE FDP MUST MAKE A CONSCIOUS DECISION TO LEAVE THE PRESENT COALITION, SUPPORT THE CDU/CSU ON A NO-CONFIDENCE VOTE, AND SUPPORT A JOINT CDU/CSU-FDP CANDIDATE FOR CHANCELLOR.

2. WHILE NO ONE CAN SAY WITH ABSOLUTE CERTAINTY THAT THE VOTE ON THE COALITION TAX BILL WILL RECEIVE THE REQUIRED NUMBER OF SPD VOTES TO INSURE PASSAGE ON JUNE 16, IT NOW APPEARS LIKELY THAT THE COALITION WILL SQUEAK BY. WE HAVE BEEN TOLD BY SOME OF THE KEY ACTORS IN THE DRAMA THAT THEY EXPECT TWO SPD DEPUTIES TO VOTE AGAINST THE BILL AND ONE OR TWO SPD DEPUTIES TO ABSTAIN. IF THIS PROGNOSIS IS CORRECT, THE GOVERNMENT WILL HAVE ENOUGH VOTES TO INSURE PASSAGE IN THE BUNDESTAG.

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3. THE SPD FRAKTION SPENT THE BETTER PART OF TWO DAYS IN DEBATE OVER THE GOVERNMENT TAX BILL. HERBERT WEHNER, TRULY THE MAN OF THE HOUR IN THE SPD, WITH HELP FROM SCHMIDT AND BRANDT, PULLED OUT ALL STOPS TO BRING THE DISSENTERS BACK INTO LINE. AS A RESULT, HE NOW APPEARS TO HAVE THE NECESSARY VOTES, BUT PERHAPS AT AN UNACCEPTABLE PRICE.

4. THE MOOD IN THE SPD FRAKTION IS POISONOUS AND THE SENSE OF FRUSTRATION ENORMOUS. THE NEXT TIME A CONTENTIOUS ISSUE ARISES, IT WILL BE EVEN MORE DIFFICULT FOR THE LEADERSHIP TO QUELL A REVOLT. ONE OF THE KEY LEFT-WING DEPUTIES TOLD US THAT ONE OF THE REASONS HE PLAYED HIS DISSENT ON THIS ISSUE TO THE LIMIT -- ALTHOUGH AT THE END HE AGREED TO VOTE FOR THE BILL -- WAS TO WARN THE LEADERSHIP THAT IT COULD NOT GET BY WITH SUCH PRESSURE TACTICS IN THE FUTURE. HE EMPHASIZED THAT THE VIEWS OF THE LEFT-WING DEPUTIES WOULD HAVE TO RECEIVE A BETTER HEARING FROM THE FRAKTION LEADERSHIP

THAN THEY HAVE IN THE PAST.

5. A MAJOR CAUSE OF THE LATEST CRISIS IS THE POLITICAL DYNAMICS WITHIN THE FRAKTION. SOME DEPUTIES, ESPECIALLY ON THE LEFT, FEEL IT WOULD BE BEST FOR THE SPD TO GO INTO OPPOSITION RATHER THAN ACCEPT POLICIES THAT THEY FEEL BETRAY SOCIAL DEMOCRATIC PRINCIPLES.

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FM AMEMBASSY BONN

TO SECSTATE WASHDC IMMEDIATE 9076

INFO AMEMBASSY BERLIN

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AMEMBASSY ROME

AMEMBASSY PARIS

USMISSION USBERLIN

USMISSION NATO

AMCONSUL BREMEN

AMCONSUL DUSSELDORF

AMCONSUL FRANKFURT

AMCONSUL HAMBURG

AMCONSUL MUNICH

AMCONSUL STUTTGART

C O N F I D E N T I A L SECTION 02 OF 02 BONN 10036

ANOTHER FACTOR, ASIDE FROM THE TENSIONS WITHIN THE SOCIAL DEMOCRATIC CAMP, IS THE FEELING OF MISTRUST HARBORED BY MANY SOCIAL DEMOCRATS AGAINST THEIR COALITION PARTNER. SOME KEY SPD BUNDESTAG DEPUTIES FEEL THAT THEY

ARE BEING BLACKMAILED CONSTANTLY BY THE FDP AND THAT IN THE SCHMIDT-GENSCHER GOVERNMENT THE TAIL IS WAGGING THE DOG.

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6. THE DISPUTE OVER THE TAX PROGRAM WHICH HAD BEEN APPROVED BY BOTH THE SPD AND THE FDP FRAKTIONS IN DECEMBER AS PART OF THE COALITION AGREEMENT, IS CONSIDERED AS FURTHER EVIDENCE BY SOME KEY FDP POLITICIANS THAT THE SPD IS AN UNDEPENDABLE PARTNER. A TACTICAL CONCERN OF THE FDP LEADERSHIP IS THAT SHOULD THE TAX BILL PASS THE BUNDESTAG ON JUNE 16, THE BURDEN WILL THEN BE ON THE FDP TO DELIVER THE SAARLAND AND LOWER SAXONY VOTES IN THE BUNDESRAT. ONE OF THE JUSTIFICATIONS GIVEN BY GENSCHER FOR THE FORMATION OF COALITIONS WITH THE CDU IN THOSE TWO LAENDER WAS THAT IT WOULD LOOSEN THE OPPOSITION'S HOLD ON THE BUNDESRAT. TO DATE, THIS HAS NOT HAPPENED AND SCHMIDT CAN NOW BE EXPECTED TO LEAN ON GENSCHER.

7. THE FACT THAT A RELATIVELY MINOR ISSUE SUCH AS THE TAX BILL COULD CAUSE A MAJOR POLITICAL CRISIS IS EVIDENCE OF THE SAD STATE OF THE BONN COALITION. THE SOCIAL-LIBERAL COALITION HAS BEEN ACCIDENT-PRONE EVER SINCE ITS FORMATION LAST DECEMBER. UP TO NOW IT HAS BEEN SAVED BY THE DISUNITY WITHIN THE OPPOSITION. THIS LATEST INCIDENT IS AN OMINOUS SIGN IN THAT IT DEMONSTRATES THAT EVEN AN UNAGGRESSIVE OPPOSITION CAN NOT SAVE THE SOCIAL-LIBERAL COALITION FROM ITSELF.

8. FORTUNATELY FOR SCHMIDT AND GENSCHER THE SUMMER RECESS PERIOD IS COMING, AND IF THEY CAN GET THROUGH THE NEXT TEN DAYS (JUNE 24 IS THE LAST SESSION IN THE BUNDESTAG BUT THERE COULD BE A SPECIAL ONE-DAY SESSION CALLED IN JULY), THEY WILL HAVE A FEW MONTHS FOR TEMPER TO COOL. HOWEVER, NEITHER POLITICIAN CAN LOOK TO THE FUTURE OF THE SOCIAL/LIBERAL COALITION WITH EQUANIMITY. STOESEL

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**To:** STATE  
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